

Bean wars

Coffee producers fall out over who's the most ethical

Both the Rainforest Alliance and the Fairtrade Foundation blame the media for creating a spat between them over fairtrade coffee certification, but there are serious issues at its centre.

The Fairtrade Foundation insists that the origin of a dispute with the Rainforest Alliance was a media misunderstanding. When Kraft Foods announced the launch of Kenco Sustainable Development coffee in European markets, the media rushed to ask the Fairtrade Foundation what it thought of Kraft's fairtrade initiative.

This sparked a campaign by the Fairtrade Foundation, the organisation responsible for certifying products offering a fair price to third world producers, to set the record straight. It said Kenco Sustainable Development coffee was, in fact, not fairtrade.

The coffee has been certified by US campaigning group Rainforest Alliance, which exists to champion the cause of environmental and wildlife protection. As part of its forestry certification system, SmartWood, it certifies farms that meet certain sustainable agricultural standards on issues such as conservation of local wildlife, preventing deforestation and soil erosion and ensuring certain basic workplace standards.

Minimum price

But unlike the Fairtrade Foundation, the group does not assure an economic reward to farmers in return for the application of environmental and social standards. Though it urges that a certain minimum price be paid to certified farmers, it is not mandatory.

A coffee buyer can get a Rainforest Alliance label if just 30% of his beans have been procured from certified farms.

Conversely, the Fairtrade Foundation insists that for its certification a fixed price of \$1.21 per pound of green beans of coffee be paid to producers in the developing world. In addition, the organisation charges a 2% fee for its label, a portion of which is then diverted back to the producers for community development projects, unlike the Rainforest Alliance certification that can be acquired free of charge.

This is what critics believe entices companies such as Kraft to appear to be

doing the right thing while incurring no cost. Alex Nicholls, professor of social entrepreneurship at Oxford University, says that the Rainforest Alliance label is an easy option for companies looking for a "flash in the pan at a cheap price".

Though Kraft has offered its certified producers a 20% premium for their beans, that is still 21% less than the Fairtrade Foundation guarantees.

With the Rainforest Alliance's certification, most of the obligations lie with the farmers – in maintaining environmental and social standards. Chris Wille, the organisation's chief of sustainable agriculture, insists that demanding these standards "helps farmers become competitive themselves, rather than relying on non-governmental organisations" to promote their cause. Application of these standards helps growers drive down their costs in the future, he says.

Defending farmers

But Ian Bretman, deputy director of the Fairtrade Foundation, disputes that. He says poor farmers need more money in the first place, to ensure that environmental standards are maintained.

"They may be compromising on environmental standards because they are trying to earn a living. If you have a choice between hardship and destitution, hardship is a less worse option," he says.

Bretman says small producers do not need huge incentives to invest in environmental protection and the Fairtrade Foundation ensures that, as part of its certification system, producers respect certain minimum environmental and social standards in order to reap the benefits of the fairtrade system.

But some do not view the fairtrade certification system as an advantageous market mechanism. Bob Eagle, a spokesman for the Biscuit Cake Chocolate and Confectionary Alliance, recently said the Fairtrade Foundation's fixed price approach could give rise to surpluses in the market, egged on by its artificially high prices.

This can be detrimental to the industry when not matched by at least equal demand for coffee, which has been stagnant over the past two years. Eagle adds that the fairtrade certification system was a sustainable economic model "on a small scale". Nestlé, the company being lobbied vigorously to introduce fairtrade products, agrees.

Bretman is quick to point out the discrepancy in the argument. "How can they criticise us for being an insignificant niche



What would he say?

and, on the other side, a disruptive force in the market? We can't be both," he says.

Nicholls suggests that companies are discouraged by the higher price they have to pay under fairtrade. He believes a reduced margin should not hurt companies much in some of their products. What is hurting them are the strings attached with fairtrade, such as forward buying, long-term commitment and premium, which Nicholls believes are seen by free marketers as "risks".

Label squabbles

Bretman fears that the launch of Kraft's Kenco coffee as sustainable may have a negative knock-on effect, where consumers assume "fairtrade" coffee to be unethically produced.

But Bretman is encouraged by recent positive results from a Mori study, which showed that two in three of the sample studied recognise the fairtrade mark. This is a 14% increase from 2003 figures. Also, the success of fairtrade coffee brands like Café direct, which is the sixth largest coffee brand in the UK, comes as some comfort.

But Chris Wille of the Rainforest Alliance thinks the confusion about ethical labels is not damaging. He says it all helps raise awareness of the ethical coffee market and that the more such products occupy supermarket shelves – certified by either group – the better. He says an ethically minded consumer is "happy to see either label".

Jonathan Wootliff, a former Greenpeace executive and public relations consultant agrees that the wider angle should not be forgotten. He argues that if it gets coffee onto the shelves that gives a better deal for farmers, then consumers may well become more regularly aware of social issues such as developing country poverty.

Maybe coffee brands would do better to take a tip from Procter & Gamble, one of the largest coffee manufacturers in the US. The company launched two brands under its Millstone Signature Line in 2003 – Millstone Mountain Moonlight Fair Trade Certified coffee and Millstone Rainforest Alliance Certified Signature Roast. ■